

19851-5K  
RECORDATION NO. FILED

DEC 23 '97

12-50 PM

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ELIAS C. ALVORD (1942)  
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OF COUNSEL  
URBAN A. LESTER

December 23, 1997

Mr. Vernon A. Williams  
Secretary  
Surface Transportation Board  
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a), are two (2) copies each of the following documents: Equipment Lease Schedule for Master Equipment Agreement (with Equipment Lease Schedule Number 005) and a Bill of Sale, each dated as of December 23, 1997, each being secondary documents, as defined in the Board's Rules for the Recordation of Documents under 49 C.F.R. Section 1177.

The enclosed documents relate to the Master Equipment Lease Agreement previously filed with the Board under Recordation Number 19851.

The names and addresses of the parties to the enclosed documents are:

Equipment Lease Schedule Number 005

Lessor: Heller Financial Leasing, Inc.  
500 West Monroe Street  
Chicago, Illinois 60661

Lessee: Duluth, Missabe and Iron Range Railway Company  
135 Jamison Lane  
Monroeville, Pennsylvania 15146

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BOARD  
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*Counterparts - 2*

Mr. Vernon A. Williams  
December 23, 1997  
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Bill of Sale

Seller: Helm Financial Corporation  
One Embarcadero Center, Suite 3500  
San Francisco, California 94111

Buyer: Heller Financial Leasing, Inc.  
500 West Monroe Street  
Chicago, Illinois 60661

A description of the railroad equipment covered by the enclosed documents is:

five (5) EMD Model SD 40-3, six axle, locomotives bearing DMIR  
reporting marks and road numbers 415 through 419

Also enclosed is a check in the amount of \$48.00 payable to the order of the  
Surface Transportation Board covering the required recordation fee.

Kindly return one stamped copy of each of the enclosed documents to the  
undersigned.

Very truly yours,



Robert W. Alvord

RWA/bg  
Enclosures

SURFACE TRANSPORTATION BOARD  
WASHINGTON, D. C. 20423-0001

OFFICE OF THE SECRETARY


Robert W. Alvord  
Alvord and Alvord  
918 Sixteenth Street, NW., Ste. 200  
Washington, DC, 20006-2973

DATE: 12/23/97

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of 49 U.S.C. 11301  
and 49 CFR 1177.3 (c), on 12/22/97 at 12:50PM, and  
assigned recordation number(s). 19851-J and 19851-K.

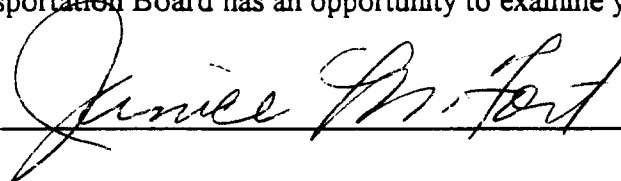
Sincerely Yours,

  
Vernon A. Williams  
Secretary

Enclosure(s)

\$ 48.00 The amount indicated at the left has been received in payment of a fee in  
connection with a document filed on the date shown. This receipt is issued for the amount paid.  
In the event of an error or any questions concerning this fee, you will receive a notification after  
the Surface Transportation Board has an opportunity to examine your document.

Signature



EQUIPMENT LEASE SCHEDULE  
FOR MASTER EQUIPMENT LEASE AGREEMENT

DEC 23 '97

12-50 PM

Schedule Number 005

This Schedule Number 005 dated as of December 23, 1997 between **HELLER FINANCIAL LEASING, INC.**, as Lessor, and **DULUTH, MISSABE AND IRON RANGE RAILWAY COMPANY**, as Lessee, is executed pursuant to and is subject to the terms and conditions of the Master Equipment Lease Agreement dated as of December 28, 1995, as amended from time to time (the "Lease") which terms and conditions are hereby incorporated herein by reference. Unless otherwise defined herein, capitalized terms used in this Schedule have the respective meaning assigned to such terms in the Lease.

Lessee hereby authorizes Lessor to insert herein the serial numbers and other identification data of the Equipment, when determined by Lessor, and dates or other omitted factual matters.

1. Description of Equipment. The Equipment which is the subject of this Schedule Number 005 and the acquisition cost thereof (the "Acquisition Cost") is more particularly described on Annex A hereto and made a part hereof.

2. Term of Lease with respect to Equipment: The term of the Lease for the Equipment described herein is for an Interim Term commencing on the "Acceptance Date" set forth in the Acceptance Certificate applicable to the Equipment subject to this Schedule, and continuing through and including December 31, 1997; and for a Base Term of ninety-six (96) months commencing on January 1, 1998 (the "Base Term Commencement Date") and continuing through and including January 1, 2006 (the "Termination Date").

3. Rental: Interim Rent shall be due Lessor for each day by which the Acceptance Date precedes the Base Term Commencement Date. Interim Rent for each day in the Interim Term shall be at a rate of \$734 per day and will be billed on January 1, 1998. Base Rent shall be payable quarterly, in arrears, in thirty-two (32) installments the first twenty (20) of which shall be \$83,841 each, commencing on April 1, 1998 and continuing on the first business day of each succeeding quarter through January 1, 2003, and the next twelve (12) of which shall be \$110,214 each, commencing on April 1, 2003 and continuing on the first business day of each succeeding quarter thereafter until January 1, 2006 provided there shall be a balloon payment due on the Termination Date in the amount of \$2,266,539. In the event Stipulated Loss Value is paid in connection with an Event of Loss, Base Rent shall be adjusted on a pro rata basis.

4. Stipulated Loss Value: Upon the occurrence of any Event of Loss or other event giving Lessor the right to require immediate payment of the Equipment's Stipulated Loss Value, Lessor shall calculate such Stipulated Loss Value by multiplying the Acquisition Cost of the particular item of Equipment to Lessor by the Stipulated Loss Factor (as set forth on Annex B attached hereto and made a part hereof) for the Base Rent payment date following the Event of Loss or such other event (or for any such payment resulting from an event occurring during the Interim Term, the first Stipulated Loss Factor on Annex B shall apply).

5. End of Term Options: Third Party Sale.

(a) Renew. Provided no Event of Default has occurred or is continuing and this Schedule has not been earlier terminated, Lessee shall be entitled, at its option, upon Lessee's written request to Lessor given no later than two hundred seventy (270) days prior to the Termination Date to one renewal of this Schedule as of the Termination Date, for all, but not less than all, of the Equipment for a two year period ("Renewal Lease Term"), under the same terms and conditions as the Base Term, provided that rent payments during the Renewal Lease Term shall be payable quarterly, in arrears, in eight (8) installments of \$110,214 each (the "Renewal Term Rent") commencing on April 1, 2006 and continuing on the first business day of each succeeding quarter thereafter provided the final installment shall be due on January 1, 2008 (the "Renewal Termination Date"). If Lessee fails to give such written notice to Lessor, it shall be conclusively presumed that Lessee has elected said renewal option. If Lessee fails to exercise its renewal option pursuant hereto then, in addition to its obligations pursuant to Paragraphs (b) and (c) of this Section and Section 6 (as applicable) Lessee will pay Lessor on the Termination Date a reinvestment premium calculated as the Make Whole Amount as defined in below.

(b) Purchase. Provided no Event of Default has occurred or is continuing and this Schedule has not been earlier terminated, Lessee shall be entitled, at its option, upon Lessee's written request to Lessor given no later than two hundred seventy (270) days prior to the Termination Date, or the Renewal Termination Date, if the option set forth in 5(a) above had been exercised, to purchase all, but not less than all, of Lessor's interest in the Equipment then subject to this Schedule, on the Termination Date or the Renewal Termination Date, as the case may be, for an amount (the "Purchase Option Amount"), payable in immediately available funds, equal to the sum of (A) the "Estimated Residual Value" (as hereinafter defined) of such Equipment, plus (B) the Base Rent or Renewal Term Rent due and payable for such Equipment on the Termination Date or the Renewal Termination Date, plus (C) any applicable sales, excise or other taxes imposed as a result of such sale (other than gross or net income taxes attributable to such sale). Lessor's sale of its interest in the Equipment shall be on an as-is, where-is basis, without any representation or warranty by, or recourse to, Lessor except that there are no Lessor Liens. If Lessee intends not to exercise said purchase option, Lessee shall give written notice to Lessor to such effect at least two hundred seventy (270) days prior to the expiration of the Base Term or the Renewal Lease Term, as the case may be. If Lessee fails to give such written notice to Lessor, it shall be conclusively presumed that Lessee has elected said purchase option and the same shall constitute a binding obligation of Lessee to purchase all of Lessor's interest in all such Equipment and to pay Lessor the Purchase Option Amount on the Renewal Termination Date. Lessee shall have the right to assign its purchase option under this section 5(b) on not less than ten (10) days' prior written notice to Lessor; provided such assignment shall not affect or impair Lessee's obligations hereunder, including, without limitation, the obligation to pay the Purchase Option Amount to Lessor on the Termination Date or the Renewal Termination Date.

(c) Third Party Sale of Equipment.

(i) Remarketing Obligations. In the event Lessee elects not to renew this Schedule in accordance with paragraph 5(a) above and elects not to purchase Lessor's interest in the Equipment pursuant to Section 5(b), then Lessee shall have the obligation during the last two hundred seventy (270) days of the Base Term or, if the renewal option was elected, the Renewal Lease Term (the "Remarketing Period"), to obtain bona fide bids for not less than all Equipment then subject to this Schedule from prospective purchasers who are financially capable of purchasing such Equipment for cash on an as-is, where-is basis, without recourse or warranty except that there are no Lessor Liens. All bids received by Lessee prior to the end of the Base Term or the Renewal Lease Term of such Equipment shall be promptly certified to Lessor in writing, setting forth the amount of such bid and the name and address of the person or entity submitting such bid. Notwithstanding the foregoing, Lessor shall have the right, but not the obligation, to seek bids for the Equipment during the Remarketing Period.

(ii) Sale of Equipment to Third Party Buyer. On the Termination Date or the Renewal Termination Date, provided that all the conditions hereof have been met, Lessor shall sell (or cause to be sold) all of Lessor's interest in all Equipment then subject to this Schedule, for cash to the bidder, if any, who shall have submitted the highest bid during the Remarketing Period on an as-is, where-is basis and without recourse or warranty by Lessor except that there are no Lessor Liens, and upon receipt by Lessor of the sales price Lessor shall instruct Lessee to deliver and Lessee shall deliver such Equipment to such bidder; provided, that (x) any such sale to a third party shall be consummated, and the sales price for the Equipment shall be paid to Lessor in immediately available funds, on or before the Termination Date or the Renewal Termination Date, as the case may be; and (y) Lessor shall not be obligated to sell such Equipment (I) if the "Net Proceeds of Sale" (as defined in Section 7 below) of the Equipment are less than the aggregate "Maximum Lessor Risk Amount" (as defined in Section 7 below) as of the Termination Date or the Renewal Termination Date (as the case may be), or (II) if Lessor has not received the amounts, if any, payable by Lessee pursuant to Section 6.

6. End of Term Payment Adjustment.

(a) Third Party Sale of Equipment. This Section 6(a) shall apply only if, with respect to any Equipment, a sale of Equipment to a third party pursuant to Section 5 hereof has been consummated on or before the Termination Date or, if applicable, the Renewal Termination Date. If the Net Proceeds of Sale are less than the aggregate Estimated Residual Value of such Equipment as of such Termination Date or Renewal Termination Date (as the case may be), Lessee shall, on the Termination Date or Renewal Termination Date (as the case may be), pay to Lessor as an End of Term Payment Adjustment, in immediately available funds, an amount equal to (i) such deficiency (a "Deficiency"), provided, however, that if no Event of Default shall have occurred and be continuing hereunder or under the Lease, the amount of the Deficiency payable by Lessee with respect to the Equipment shall not exceed the aggregate "Maximum Lessee Risk Amount" (as hereinafter defined) then applicable to such Equipment; plus (ii) the Base Rent or Renewal Term Rent due and payable for such Equipment on the Termination Date or the Renewal Termination Date (as the case may be).

If the Net Proceeds of Sale of such Equipment exceed the aggregate Estimated Residual Value of such Equipment, Lessee shall have paid Lessor on or before the Termination Date or

the Renewal Termination Date (as the case may be) the amounts set forth in clause (ii) of the preceding paragraph and no Event of Default shall have occurred and be continuing hereunder or under the Lease, Lessor shall pay to Lessee an amount equal to such excess.

(b) Lessee Payment. If a sale of all Equipment then subject to this Schedule either to Lessee pursuant to Section 5 hereof or to a third party pursuant to Section 5 hereof has not been consummated by the Termination Date or, if applicable, the Renewal Termination Date, with respect thereto for any reason (other than due to a default by Lessor), then Lessee shall, on the Termination Date or the Renewal Termination Date (as the case may be), pay to Lessor as an End of Term Payment Adjustment, in immediately available funds, an amount equal to (i) the Maximum Lessee Risk Amount of all of Equipment, if on the Termination Date or Renewal Termination Date no Event of Default shall have occurred and be continuing hereunder or under the Lease, or the Estimated Residual Value of all Equipment, if on the Termination Date or the Renewal Termination Date an Event of Default or event which, with notice or passage of time or both would constitute an Event of Default, shall have occurred and be continuing hereunder or under the Lease; plus (ii) in either case, the Base Rent due and payable for such Equipment on the Termination Date or the Renewal Termination Date, if Base Rent is payable in arrears. Lessee shall remain liable for the payment of, and upon the consummation by Lessor of the sale of any Equipment after the Termination Date or Renewal Termination Date thereof, Lessee shall pay, or reimburse Lessor for the payment of, all applicable sales, excise or other taxes imposed as a result of such sale, other than gross or net income taxes attributable to such sale, and such obligation shall survive the termination of this Lease. Lessor shall retain all Net Proceeds of Sale upon the consummation by Lessor of the sale of any Equipment.

7. Certain Definitions.

(i) "End of Term Payment Adjustment" means the amounts payable pursuant to Section 6(a) or, as applicable, 6(b).

(ii) "Estimated Residual Value" for any item of Equipment shall mean an amount obtained by multiplying (x) the percentage set forth in Annex C under the caption "Estimated Residual Value Percentage" by (y) the Acquisition Cost.

(iii) "Make Whole Amount" For purposes hereof, "Make Whole Amount" shall mean a premium equal to the excess, if any, of (i) the aggregate present value as of the Termination Date of the sum of (A) the Renewal Term Rent payments, plus (B) the full amount of the Purchase Option Amount that but for exercise of the option contained in this Section would be payable on the last day of the Renewal Termination Date, discounted to the date of payment at the Reinvestment Rate, minus (ii) the Purchase Option Amount as of the expiration of the Termination Date. For purposes hereof, "Reinvestment Rate" shall mean the sum of (i) the Yield of United States Treasury Notes with a maturity equal to the average life of the remaining term as of the Termination Date plus fifty (50) basis points. If no maturity exactly corresponds to such remaining Term, the Yield of the United States Treasury Notes shall be interpolated on a straight line basis, utilizing the yields for the two maturities which most closely correspond to the requisite maturity. If the calculation yields a negative number the Make Whole Amount shall be zero.

(iv) "Maximum Lessee Risk Amount" means an amount obtained by multiplying (x) the percentage set forth in Annex C hereto under the caption "Maximum Lessee Risk Percentage" by (x) the Acquisition Cost.

(v) "Maximum Lessor Risk Amount" means an amount obtained by multiplying (x) the percentage set forth in Annex C under the caption "Maximum Lessor Risk Percentage" by (y) the Acquisition Cost.

(vi) "Net Proceeds of Sale" means with respect to Equipment sold to a third party, the net amount of the proceeds of sale of such Equipment, after deducting from the gross proceeds of such sale (x) all sales taxes and other taxes (excluding income taxes on or measured by Lessor's income) as may be applicable to the sale or transfer of such Equipment, (y) all fees, costs and expenses of such sale incurred by Lessor and (z) any other amounts for which, if not paid, Lessor would be liable or which, if not paid, would constitute a lien on such item.

8. Time of the Essence. The provisions of Sections 5 and 6 are of the essence of this Lease, and time is of the essence for any payment and performance of the obligations of Lessee set forth therein.

IN WITNESS WHEREOF, Lessor and Lessee have executed this Schedule as of the Date set forth above.

LESSEE:

**DULUTH, MISSABE AND IRON RANGE  
RAILWAY COMPANY**

By: AG Steins

Printed Name: G E. STEINS

Title: VICE PRESIDENT - ADMINISTRATION

LESSOR:

**HELLER FINANCIAL LEASING, INC.**

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_



(iv) "Maximum Lessee Risk Amount" means an amount obtained by multiplying (x) the percentage set forth in Annex C hereto under the caption "Maximum Lessee Risk Percentage" by (x) the Acquisition Cost.

(v) "Maximum Lessor Risk Amount" means an amount obtained by multiplying (x) the percentage set forth in Annex C under the caption "Maximum Lessor Risk Percentage" by (y) the Acquisition Cost.

(vi) "Net Proceeds of Sale" means with respect to Equipment sold to a third party, the net amount of the proceeds of sale of such Equipment, after deducting from the gross proceeds of such sale (x) all sales taxes and other taxes (excluding income taxes on or measured by Lessor's income) as may be applicable to the sale or transfer of such Equipment, (y) all fees, costs and expenses of such sale incurred by Lessor and (z) any other amounts for which, if not paid, Lessor would be liable or which, if not paid, would constitute a lien on such item.

8. Time of the Essence. The provisions of Sections 5 and 6 are of the essence of this Lease, and time is of the essence for any payment and performance of the obligations of Lessee set forth therein.

IN WITNESS WHEREOF, Lessor and Lessee have executed this Schedule as of the Date set forth above.


LESSEE:

**DULUTH, MISSABE AND IRON RANGE  
RAILWAY COMPANY**

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

LESSOR:

**HELLER FINANCIAL LEASING, INC.**

By:   
Printed Name: \_\_\_\_\_  
Title: Dominick J. Masciantonio  
Senior Vice President

STATE OF Georgia )  
 )ss  
COUNTY OF FORSYTH )

I, Dolores B. Browning the undersigned, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY THAT Dominick J. Masciantonio, the Vice President of **Heller Financial Leasing, Inc.**, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that as such Vice President, he signed, sealed and delivered the said instrument as his free and voluntary act and as the free and voluntary act of said corporation, for the uses and purposes therein set forth.


GIVEN under my hand and notarial seal this 19<sup>th</sup> day of December, 1997.

  
Notary Public

COMMONWEALTH OF PENNSYLVANIA )  
 ) ss  
COUNTY OF ALLEGHENY )

I, Patricia L. Kirk, the undersigned, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY THAT G. E. Steins, the Vice President-Administration of **Duluth, Missabe and Iron Range Railway Company**, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that as such Vice President-Administration, he signed, sealed and delivered the said instrument as his free and voluntary act and as the free and voluntary act of said corporation, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 23rd day of December, 1997.

  
Notary Public

My Commission Expires:

Notarial Seal  
Patricia L. Kirk, Notary Public  
Monroeville Boro, Allegheny County  
My Commission Expires July 13, 2000

## ANNEX A

### Description of the Units:

Five (5) EMD Model SD40-3, six (6) axle, 3000 horsepower locomotives equipped with Woodward Governor Complete Locomotive Control Microprocessors.

### Reporting Marks & Numbers:

New:	Prior:	Purchase Price:
DMIR 415	SP9257	\$678,967
DMIR 416	CSXT8951	\$672,937
DMIR 417	HATX909	\$680,361
DMIR 418	HATX945	\$678,361
DMIR 419	SP6794	\$688,613
TOTAL		<u>\$3,399,239</u>

The equipment located and described herein, including additions, improvements, betterments, replacements, substitutions, all proceeds (cash and non-cash), and proceeds from insurance or from a voluntary or involuntary sale, liquidation or conversion of any of the foregoing, and all attachments, additions and accessions thereto.

## ANNEX - B

### **Stipulated Loss Factors**

<u>Date</u>	<u>Stipulated Loss Factor</u>
Jan-98	105.0000%
Apr-98	104.1618%
Jul-98	103.3074%
Oct-98	102.4364%
Jan-99	101.5484%
Apr-99	100.6432%
Jul-99	99.7204%
Oct-99	98.7797%
Jan-00	97.8207%
Apr-00	95.8431%
Jul-00	94.8465%
Oct-00	93.8306%
Jan-01	92.7949%
Apr-01	91.7390%
Jul-01	90.6627%
Oct-01	89.5655%
Jan-02	88.4469%
Apr-02	86.3067%
Jul-02	85.1442%
Oct-02	83.9592%
Jan-03	82.7512%
Apr-03	81.5197%
Jul-03	80.2643%
Oct-03	78.9845%
Jan-04	77.6799%
Apr-04	76.3499%
Jul-04	74.9940%
Oct-04	73.6119%
Jan-05	72.2028%
Apr-05	70.7664%
Jul-05	69.3021%
Oct-05	67.8094%
Jan-06	66.2877%
Apr-06	64.7364%
Jul-06	63.1550%
Oct-06	61.5428%
Jan-07	59.8994%
Apr-07	58.2240%
Jul-07	56.5160%
Oct-07	54.7749%
Jan-08	53.0000%

## ANNEX - C

	Termination Date (End of Year 8)	Renewal Termination Date (End of Year 10)
Estimated Residual Value Percentage	66.68%	50.00%
Maximum Lessor Risk Percentage	18.97%	7.97%
Maximum Lessee Risk Percentage	47.71%	42.03%

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